

Message Text

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PAGE 01 MANILA 09728 160930Z

21

ACTION EA-10

INFO OCT-01 ISO-00 XMB-02 SP-02 AID-05 EB-07 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 COME-00

ERDA-05 FEA-01 ACDA-05 CIAE-00 INR-07 IO-10 L-03

NSAE-00 NRC-05 OES-03 FRB-03 PA-01 PRS-01 USIA-06

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P 160811Z JUL 75

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 5495

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E.O. 11652: N/A

TAGS: ENRG, EFIN, RP, ETRD

SUBJECT: NUCLEAR POWER PROJECT - INVITATION TO EXIMBANK OFFICERS

DEPARTMENT PASS EXIMBANK

REF: MANILA 9699 STATE 157806

1. SUMMARY. FURTHER TOMANILA REFTEL,ADCM DISCUSSED STATUS OF SUBJECT PROJECT WITH EXECUTIVE SECRETARY MELCHOR, FOCUSING MAINLY ON (A) GOP DIFFICULTIES WITH ABANDONMENT OF TWO UNIT PROPOSAL; (B) EXIMBANK PROBLEMS WITH ANY BUT A SINGLE UNIT SCHEME AT THIS TIME; (C) IMPLICATIONS FOR PHILIPPINE BORROWING CAPACITIES OF A TWO UNIT PROJECT FUNDED FROM ANY SOURCE; (D) REMAINING TECHNICAL PREPARATIONS NEEDED BY GOP AND WESTINGHOUSE BEFORE PACKAGE COULD BE RETURNED TO EXIMBANK; AND (E) HOW BEST TO BRING ALL INTERESTED PARTIES FULLY UP TO SPEED FOR A FINAL EFFORT TO SIGN OFF ON PROJECT. AS RESULT THIS DISCUSSION, MELCHOR EXTENDED INVITATION TO EXIMBANK OFFICIALS CONCERNED WITH THIS PROJECT TO VISIT PHILIPPINES IN EARLY AUGUST.

END SUMMARY.

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PAGE 02 MANILA 09728 160930Z

2. ADCM NOTED AT BEGINNING OF TALK INTERNATIONAL VP HAYWARD'S ASSURANCE TO EMBASSY THAT WESTINGHOUSE HAD PLACED PHILIPPINE NUCLEAR POWER PROJECT AT THE TOP OF FORM'S CURRENT PRIORITIES. WITH WORK ACCOMPLISHED IN PAST WEEK, THE LARGE AND TOP LEVEL WESTINGHOUSE TEAM PROSENT IN MANILA APPEARED ABLE TO ASSURE COMPLETION OF SINGLE UNIT PACKAGE WITH NEW DETAILED COST DATA WITHIN TWO OR THREE WEEKS. MELCHOR ENCOURAGED CONTINUED EFFORT AT THIS PACE, SAYING THAT HE HOPED NEW PRESENTATION TO EXIMBANK COULD BE MADE IN TIME FOR GOP DELEGATION TO IMF/IBRD ANNUAL MEETING (SEPT 1-5) TO WRAP UP NEGOTIATION OF EXIM PARTICIPATION.

3. MELCHOR REVIEWED GOP DIFFICULTIES WITH SWITCH TO SINGLE UNIT PACKAGE, CITING PARTICULARLY NPC'S ARGUMENT THAT POWER RATES PROBABLY WOULD HAVE TO BE INCREASED SLIGHTLY, IF ECONOMIES OF SCALE IN COSTING TWO UNIT PROJECT COULD NOT BE REALIZED. MELCHOR WONDERED WHETHER A SCHEME COULD BE EVOLVED ON BASIS OF A WESTINGHOUSE PLUS ITALIAN OR FRENCH UNIT. ADCM NOTED THAT MARKETING \$1.6 BILLION IN DEBT AT THIS TIME APPEARED TO BE THE MAJOR HURDLE, NO MATTER WHERE UNITS WERE ACQUIRED. A SINGLE UNIT PROJECT WOULD ALLOW EXIMBANK TO FINANCE A SIGNIFICANT SHARE OF U.S. GOODS AND SERVICES WHILE KEEPING SOME PORTION OF EXIM WINDOW AND VARIOUS U.S. AND EUROPEAN COMMERCIAL WINDOWS OPEN TO PHILIPPINES. MELCHOR SAID THAT KEEPING VARIOUS LOAN WINDOWS OPEN WAS A MAJOR CONCERN, ESPECIALLY OF FINANCE SECRETARY VIRATA. IN ANY EVENT, MELCHOR SAID, DECISION HAD BEEN REVIEWED AND PRESIDENT HAD INSTRUCTED NPC TO PROCEED WITH A SINGLE UNIT FROM THE UNITED STATES.

4. ADCM SAID IT WAS IMPORTANT TO GET ON WITH PROPOSAL NOW THAT ONE UNIT PLAN ACCEPTED. PRICE CHANGES LIKELY CONTINUE

BOOSTING COSTS; EXIM NEEDED TO KNOW SOON HOW MUCH OF A COMMITMENT WOULD BE NEEDED, INTER ALIA, FOR CONGRESSIONAL PRESENTATION; AND NOW SEEMED BEST TIME TO HIT COMMERCIAL MONEY MARKETS. MELCHOR ASKED WHETHER EXIM COULD LAY OUT ITS RANGE OF FUNDING OPTIONS THROUGH EMBASSY. ADCM REPLIED THAT EXIM PREFERRED TO DEAL DIRECTLY WITH THE BORROWER ON SPECIFIC PROPOSALS. MAIN NEED WAS TO GET LIMITED OFFICIAL USE

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PAGE 03 MANILA 09728 160930Z

PACKAGE BEFORE BANK.

5. AS A WAY OF PROMOTING SPEEDY ACTION AND BRINGING ALL PARTIES CONVERGED UP TO THE SAME LEVEL OF INFORMATION, ADCM INQUIRED WHETHER A VISIT OF EXIMBANK TEAM TO THE PHILIPPINES WOULD BE HELPFUL IN NEXT FEW WEEKS. MELCHOR SAID THIS WOULD BE A GOOD WAY TO FOCUS REMAINING WORK OF HIS (NPC) STAFF AS WELL AS WESTINGHOUSE AND ASKED THAT AN INVITATION BE ISSUED

ON HIS BEHALF FOR A VISIT IN APPROXIMATELY THE FIRST WEEK OF AUGUST.

6. COMMENT AND ACTION REQUESTED: WHILE ADJUSTING SIGHTS HAS BEEN A PAINFUL PROCESS FOR GOP, IT APPEARS NOW LARGELY DONE, AND A SINGLE UNIT PLAN HAS GATHERED MOMENTUM. EMBASSY BELIEVES VISIT BY EXIMBANK OFFICERS, POSSIBLY HOUSTON AND SAUER, AT THIS TIME WOULD BE VERY USEFUL TO FINALIZING DEAL. WESTINGHOUSE REPS STRONGLY SHARE THIS VIEW. EMBASSY REQUESTS DEPARTMENT DISCUSS THIS PROSPECT WITH CHAIRMAN CASEY. IF THE IDEA IS FAVORABLY VIEWED, MELCHOR WILL ISSUE THE INVITATION IN WRITING. EXIM REACTION WOULD BE APPRECIATED AS SOON AS POSSIBLE. PURNELL

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